

**DELAWARE COUNTY ECONOMIC DEVELOPMENT AUTHORITY
DELAWARE COUNTY, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORTS**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

**Delaware County Economic Development Authority
Board of Commissioners**

Doug Smith	Chairman
Dr. James Rutter	Vice Chairman
Lendell Bass	Member
Joe Hutchison	Member
Tim Carson	Member

Secretary
Barbara Barnes

Treasurer
Susan Duncan

Delaware County Economic Development Authority
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LANGLEY-LITTLEFIELD-OBER

CERTIFIED PUBLIC ACCOUNTANTS, PLLC

124 S MAIN, MIAMI, OK 74354

(918) 542-4401 OFFICE -- (918) 542-8165 FAX

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Delaware County Economic Development Authority
Delaware County, Oklahoma

We have audited the accompanying financial statements of the business-type activities of Delaware County Economic Development Authority as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements present only the Delaware County Economic Development Authority and do not purport to, and do not, present fairly the financial position of Delaware County, Oklahoma, as of June 30, 2011, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Delaware County Economic Development Authority as of June 30, 2011, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2015 on our consideration of Delaware County Economic Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Delaware County Economic Development Authority's management has not presented management's discussions and analysis or the budgetary comparison information that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



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MIAMI, OKLAHOMA
JUNE 9, 2015

Delaware County Economic Development Authority
Statement of Net Assets
June 30, 2011

ASSETS	
Deposit with 3rd Party	\$ 2,968.18
LIABILITIES	
Accounts Payable	<u>189.00</u>
NET POSITION	
Restricted	-
Unrestricted	<u>2,779.18</u>
Total Net Position	<u><u>\$ 2,779.18</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Delaware County Economic Development Authority
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2011

Operating Revenues	\$ -
Operating Expenses	
Legal & Audit Fees	61,204.95
Advertising	189.00
Total Operating Exepenses	<u>61,393.95</u>
Net Income (Loss) from Operations	(61,393.95)
Non Operating Revenue (Expense)	
Transfers from county - increment tax revenue	1,425.26
Transfers from country - legal fee reimbursements	62,747.87
Total Non Operating Revenue (Expense)	<u>64,173.13</u>
Net Income (Loss)	2,779.18
Net Position, Beginning of Year	<u>-</u>
Net Position, End of Year	<u><u>\$ 2,779.18</u></u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Delaware County Economic Development Authority
Statement of Cash Flows
For the Year Ended June 30, 2011

Cash Flows from Operating Activities

Payments for professional services	\$	(61,393.95)
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Cash Flows from Capital and Related Financing Activities

Transfers from county - increment tax revenue		1,425.26
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Cash Flows from NonCapital and Related Financing Activities

Transfers from county - legal fee reimbursements		62,747.87
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Cash and Cash Equivalents at Beginning of Year

		-
Cash and Cash Equivalents at End of Year	\$	<u>2,779.18</u>

Cash and Cash Equivalents, Unrestricted

		-
Cash and Cash Equivalents, Restricted		2,779.18

Cash and Cash Equivalents at End of Year	\$	<u>2,779.18</u>
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Reconciliation of Operating Income (Loss) to Net Cash

Used by Operating Activities

Payments for professional services	\$	(61,393.95)
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Net Cash Used by Operating Activities	\$	<u>(61,393.95)</u>
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The accompanying Notes to the Financial Statements are an integral part of this statement.

Delaware County Economic Development Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011

I. Summary of Significant Accounting Policies

The following notes to the financial statements are an integral part of Delaware County Economic Development Authority's financial statements.

The Delaware County Economic Development Authority (Authority) was established as a public trust under and pursuant to the laws of the State of Oklahoma (generally, but not exclusively, Sections 176-180.3, inclusive of Title 60, Oklahoma Statutes 2001 Supplement and the Oklahoma Trust Act) on behalf of the County of Delaware, Oklahoma naming the County as the beneficiary. The purpose of the Authority is to acquire and construct a county jail and/or other detention facility within the territorial limits of Delaware County, Oklahoma and for providing and conducting criminal justice intervention and prevention programs.

The accounting policies of the Authority conform to generally accepted accounting principles applicable to governmental units. The Authority complies with generally accepted accounting principles and applies all relevant Government Accounting Standards Board (GASB) pronouncements. In addition, the Authority applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The Authority has elected not to follow FASB pronouncements issued since that date.

The financial statements presented pertain only to the operations of Delaware County Economic Development Authority and are not intended to present fairly the financial position and results of operations of Delaware County, Oklahoma, in conformity with accounting principles generally accepted in the United States of America.

A. Financial Reporting Entity

The Authority complies with GASB Statement No. 14, "*The Financial Reporting Entity*", and Statement No. 61, "*The Financial reporting Entity: Omnibus*." This statement establishes standards for defining and reporting on the financial reporting entity. It defines component units as legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Authority considered all potential component units in determining what organizations should be included in the financial statements. Based on these criteria, there are no component units to include in the Authority's financial statements.

B. Measurement Focus, Basis of Accounting and Basis of Presentation – Fund Accounting

The Authority's fund is an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) promulgated in the United States of America. The accounting and financial reporting treatment is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation are included on the statement of net assets. The operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets.

Financial activity is accounted for on the flow of economic resources measurement focus using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. In compliance with the Governmental Accounting Standards Board (GASB) Statement No. 29, the Authority has elected to only apply Financial Accounting Standards Board (FASB), Accounting Principles Board (APB) and Accounting Research Board (ARB) materials issued on or before November 30, 1989 that do not conflict with GASB.

Delaware County Economic Development Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011

I. Summary of Significant Accounting Policies (continued)

C. Assets, Liabilities, Net Assets and Revenues

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all cash on hand, demand deposits, and highly liquid investments, with an original maturity of three months or less when purchased, to be cash and cash equivalents.

2. Equity Classifications

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

3. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of Delaware County Economic Development Authority. The use of budgets and monitoring of equity status facilitate the Authority's compliance with legal requirements. The Authority is not required to present a budget to actual comparison.

Delaware County Economic Development Authority
Notes to the Financial Statements
For the Year Ended June 30, 2011

III. Detailed Notes Concerning Funds

A. Deposits and Investments

Cash Held by County Treasurer

In accordance with the Delaware County Trust Indenture, the Authority established an account with the Delaware County Treasurer.

The Delaware County Economic Development Authority was established and maintained with excess Ad Valorem Tax, Sales Taxes, and Legal fee reimbursements, transferred by the Delaware County Treasurer to the Trust account held by the County Treasurer. The funds may be used for payment of all operation and maintenance expenses for the current year. The cash balance of the Delaware County Economic Authority account at June 30, 2011, was \$2,968.18. This balance was secured by federal depository insurance or collateral held by the pledging bank in the County's name.

B. Sales Tax Transfers

Sales tax collections are deposited monthly with the Treasurer and are then transferred into the Authority's account as monthly apportionments along with any interest collected. Sales taxes will be collected only from the 415 acre complex that will be the Shangri-La Resort. A special tax-increment financing (TIF) district will be set up on the 415 acres owned by the Shangri-La Resort. There were no sales tax collections for the year ended June 30, 2011.

C. Legal Fee Reimbursement

These are the Special Apportionments when the Center for Economic Development Law invoices Shangri-La for their legal services. These invoices are sent to the County who then deposits the amount reimbursed by Shangri-La. Legal fee reimbursements collected for the year ended June 30, 2011 totaled \$62,747.26.

IV. Other Information

A. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Authority carries commercial insurance for risks of loss. There were no significant reductions in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage.

B. Subsequent Events

On April 2, 2012 the Authority issued Revenue Note A in the amount of \$236,021.00 and Revenue Note B in the amount of \$1,439,800.00 for a total of \$1,675,821.00. On January 1, 2013 Revenue Note A2 was issued for \$36,185.00 and Revenue note B2 was issued for \$379,880.00 for a total of \$416,065.00. On July 1, 2013 Revenue Note A3 was issued for \$14,875.00 and Revenue Note B3 was issued for \$188,650.00 for a total of \$203,525.00.

As of July 15, 2014 a total of \$151,577.97 of interest only has been paid to Shangri-La Development associated with the project costs. The next payment is due October 1, 2014 for \$57,385.28.

C. Contingent Liabilities

The governing board of the Authority is not aware of any pending or threatened legal actions against it. However, any such actions would probably be covered by insurance.

LANGLEY-LITTLEFIELD-OBER

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124 S MAIN, MIAMI, OK 74354

(918) 542-4401 OFFICE -- (918) 542-8165 FAX

INDEPENDENT AUDITORS REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Delaware County Economic Development Authority
Delaware County, Oklahoma

We have audited the financial statements of the business-type activities of the Delaware County Economic Development Authority as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 9, 2015. In our report we included an explanatory paragraph stating that the financial statements present only the Delaware County Economic Development Authority and do not purport to, and do not, present fairly the financial position of Delaware County, Oklahoma. We also included an explanatory paragraph stating that the Authority has not presented the management's discussion and analysis or the budgetary comparison information that governmental accounting principles generally accepted in the United States of America require to supplement the basic financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of Delaware County Economic Development Authority, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Delaware County Economic Development Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Delaware County Economic Development Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Delaware County Economic Development Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Delaware County Economic Development Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



LANGLEY - LITTLEFIELD - OBER
CERTIFIED PUBLIC ACCOUNTANTS

MIAMI, OKLAHOMA

JUNE 9, 2015